

YATES TOWNSHIP, LAKE COUNTY

IDLEWILD, MICHIGAN

MARCH 31, 2008

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

MARCH 31, 2008

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June 26, 2008

INDEPENDENT AUDITORS' REPORT

To the Township Board
Yates Township
Lake County
Idlewild, Michigan

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Yates Township, Lake County, Idlewild, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Township's Management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Yates Township, Lake County, Idlewild, Michigan as of March 31, 2008, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of Yates Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 25 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Yates Township, Lake County, Idlewild Michigan's basic financial statements. The individual fund financial statement and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statement and supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Yates Township, a general law township is located in Lake County. The Management's Discussion and Analysis is intended to be the Yates Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2008.

Financial Highlights

Government-Wide

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$2,637,785. Of this amount, \$1,268,172 may be used to meet the Township's ongoing obligations to citizens and creditors.

Fund Level Financial Statements

- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$883,426.
- ◆ The Township's sewer fund net assets decreased by \$24,360 bringing the year end balance of net assets to \$1,602,296.

Long-Term Debt

- ◆ The Township's total debt increased by \$98,795 during the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

governmental activities of the Township include general government and administration, public safety, public works, and other functions. Business-type activities of the Township include sewer utility services.

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements the governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – The Township maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund since it is considered to be a major fund of the Township.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Yates Township’s own programs.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township were \$2,637,785 at March 31, 2008, meaning the Township's assets were greater than its liabilities by this amount.

Yates Township
Net Assets as of March 31, 2008

	Governmental Activities		Business Type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Assets						
Current and Other Assets	\$ 920,344	\$ 812,695	\$ 66,015	\$ 54,572	\$ 986,359	\$ 867,267
Non Current Assets						
Prepaid Sewage Treatment	0	0	344,727	348,450	344,727	348,450
Capital Assets	580,836	396,540	1,772,442	1,772,442	2,353,278	2,168,982
Less: Accumulated Depreciation	(184,095)	(146,191)	(215,561)	(178,463)	(399,656)	(324,654)
Total Non Current Assets	396,741	250,349	1,901,608	1,942,429	2,298,349	2,192,778
Total Assets	<u>\$ 1,317,085</u>	<u>\$ 1,063,044</u>	<u>\$ 1,967,623</u>	<u>\$ 1,997,001</u>	<u>\$ 3,284,708</u>	<u>\$ 3,060,045</u>
Liabilities						
Current Liabilities	\$ 46,360	\$ 21,064	\$ 7,327	\$ 6,345	\$ 53,687	\$ 27,409
Long-Term Liabilities	235,236	129,516	358,000	364,000	593,236	493,516
Total Liabilities	<u>281,596</u>	<u>150,580</u>	<u>365,327</u>	<u>370,345</u>	<u>646,923</u>	<u>\$ 520,925</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	152,063	109,466	1,192,881	1,224,979	1,344,944	1,334,445
Restricted	7,862	53,270	16,807	16,200	24,669	69,470
Unrestricted	875,564	749,728	392,608	385,477	1,268,172	1,135,205
Total Net Assets	<u>1,035,489</u>	<u>912,464</u>	<u>1,602,296</u>	<u>1,626,656</u>	<u>2,637,785</u>	<u>2,539,120</u>
Total Liabilities and Net Assets	<u>\$ 1,317,085</u>	<u>\$ 1,063,044</u>	<u>\$ 1,967,623</u>	<u>\$ 1,997,001</u>	<u>\$ 3,284,708</u>	<u>\$ 3,060,045</u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others).

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole.

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

Yates Township
Change in Net Assets
for the Fiscal Year Ended March 31, 2008

	Governmental Activities		Business Type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$ 22,193	\$ 18,004	\$ 40,225	\$ 38,372	\$ 62,418	\$ 56,376
Operating Grants and Contributions	192,526	242,814	0	0	192,526	242,814
Capital Grants and Contributions	15,462	0	0	0	15,462	0
General Revenues						
Taxes	205,487	201,439	0	0	205,487	201,439
State Grants	51,240	55,107	0	0	51,240	55,107
Investment Earnings	23,045	20,381	1,900	1,456	24,945	21,837
Other	36,586	40,433	0	0	36,586	40,433
Total Revenues	546,539	578,178	42,125	39,828	588,664	618,006
<u>Expenses</u>						
Legislative	76,579	67,031	0	0	76,579	67,031
General Government	87,336	99,612	0	0	87,336	99,612
Public Safety	98,925	131,510	0	0	98,925	131,510
Public Works	93,342	86,786	66,485	78,698	159,827	165,484
Community and Economic Development	2,870	1,700	0	0	2,870	1,700
Recreational and Cultural	14,915	15,907	0	0	14,915	15,907
Other Functions	48,712	56,569	0	0	48,712	56,569
Debt Service	835	0	0	0	835	0
Total Expenses	423,514	459,115	66,485	78,698	489,999	537,813
Changes in Net Assets	123,025	119,063	(24,360)	(38,870)	98,665	80,193
<u>NET ASSETS</u> - Beginning of Year	912,464	793,401	1,626,656	1,665,526	2,539,120	2,458,927
<u>NET ASSETS</u> - End of Year	\$ 1,035,489	\$ 912,464	\$1,602,296	\$1,626,656	\$2,637,785	\$2,539,120

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Governmental Activities

During the fiscal year ended March 31, 2008, the Township's net assets increased by \$123,025 in the governmental funds. GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant portion of the revenue for all governmental activities of Yates Township comes from property taxes. The Township levied 6.7055 mills for operating purposes. In addition, the Township levied a per parcel special assessment of \$39.50 to supplement general fund operations.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax.

The Township's governmental activities expenses are made up mostly by Public Safety expenses. The Township spent \$98,925 in fiscal year 2008 on Public Safety expenses. Public Works represented the next largest expense at \$93,342.

Business-Type Activities

These activities accounted for a decrease of \$24,360 in the Township's Net Assets.

The Business-type activities of the Township include the Sewer Fund, which provides sewer utility services to Township residents as well as commercial customers.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Yates Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Yates Township's governmental funds reported combined ending fund balances of \$883,426.

General Fund – The General Fund increased its fund balance by \$125,037 which brings the fund balance to \$850,190. The General Fund's fund balance is unreserved. Property taxes amounted to \$205,487. State shared revenues were collected in the amount of \$51,240.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental and business-type activities as of March 31, 2008, amounted to \$1,953,622 net of accumulated depreciation.

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

Yates Township
Capital Assets as of March 31, 2008

	Governmental Activities	Business-Type Activities	Totals
System Infrastructure	\$ 0	\$ 1,747,442	\$ 1,747,442
Buildings	184,296	0	184,296
Easements	0	5,000	5,000
Vehicles	232,500	0	232,500
Equipment	164,040	20,000	184,040
	580,836	1,772,442	2,353,278
Less: Accumulated Depreciation	(184,095)	(215,561)	(399,656)
Net Capital Assets	\$ 396,741	\$ 1,556,881	\$ 1,953,622

As of the March 31, 2008, the Township is in the process of constructing a new Fire Hall. At the end of the fiscal year, expenditures amounted to \$184,296.

Long-Term Debt. Yates Township has sewer bonds payable and fire contracts payable for equipment and a fire truck. In addition, during the year bonds were sold to finance the construction of a new township fire hall.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means possible further reductions in state-shared revenues. State-shared revenues are expected to remain the same in the 2008-09 fiscal year. The Township's millage rate will be reduced again by the Headlee Amendment rollback.

These factors were considered in preparing the Township's budgets for the 2008-09 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Yates Township at P.O. Box 115, 413 E. Baldwin Rd, Idlewild, Michigan 49642.

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2008

	GOVERNMENTAL	BUSINESS	
	ACTIVITIES	TYPE	
		ACTIVITIES	TOTALS
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash	\$ 665,934	\$ 38,905	\$ 704,839
Accounts Receivable	4,280	9,978	14,258
Taxes and Special Assessments Receivable	132,430	0	132,430
External Parties Receivable (Fiduciary Funds)	105,979	325	106,304
Due from Other Governments	11,721	0	11,721
Total Current Assets	920,344	49,208	969,552
<u>RESTRICTED ASSETS</u>			
Cash			
Bond Reserve Account	0	16,629	16,629
Bond and Interest Redemption Fund	0	178	178
Total Restricted Assets	0	16,807	16,807
<u>NON-CURRENT ASSETS</u>			
Prepaid Sewage Treatment	0	344,727	344,727
<u>CAPITAL ASSETS</u>			
System Infrastructure	0	1,747,442	1,747,442
Buildings	184,296	0	184,296
Easements	0	5,000	5,000
Vehicles	232,500	0	232,500
Equipment	164,040	20,000	184,040
	580,836	1,772,442	2,353,278
Less Accumulated Depreciation	(184,095)	(215,561)	(399,656)
Net Capital Assets	396,741	1,556,881	1,953,622
TOTAL ASSETS	\$ 1,317,085	\$ 1,967,623	\$ 3,284,708

The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2008

	GOVERNMENTAL	BUSINESS	
	ACTIVITIES	TYPE	TOTALS
		ACTIVITIES	
<u>LIABILITIES AND NET ASSETS</u>			
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	\$ 36,918	\$ 0	\$ 36,918
Accrued Interest Payable	0	1,327	1,327
Notes Payable - Current Portion	9,442	0	9,442
Revenue Bonds Payable - Current Portion	0	6,000	6,000
Total Current Liabilities	46,360	7,327	53,687
<u>LONG-TERM LIABILITIES</u>			
Fire Hall Construction Bonds Payable	122,000	0	122,000
Fire Truck Contract Payable	113,236	0	113,236
Revenue Bonds Payable - Net of Current Portion	0	358,000	358,000
Total Long-Term Liabilities	235,236	358,000	593,236
Total Liabilities	281,596	365,327	646,923
<u>NET ASSETS</u>			
Invested in Capital Assets Net of Related Debt	152,063	1,192,881	1,344,944
Restricted for Debt Service	0	16,807	16,807
Restricted for Special Purposes	7,862	0	7,862
Unrestricted	875,564	392,608	1,268,172
TOTAL NET ASSETS	1,035,489	1,602,296	2,637,785
TOTAL LIABILITIES AND NET ASSETS	\$ 1,317,085	\$ 1,967,623	\$ 3,284,708

The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2008

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS		
	EXPENSES	CHARGES FOR	OPERATING	CAPITAL	GOVERNMENTAL	BUSINESS-TYPE	TOTALS
		SERVICES	GRANTS AND CONTRIBUTIONS	GRANTS AND CONTRIBUTIONS			
<u>PRIMARY GOVERNMENT</u>							
<u>GOVERNMENTAL ACTIVITIES</u>							
Legislative	\$ 76,579	\$ 0	\$ 0	\$ 0	\$ (76,579)	\$ 0	\$ (76,579)
General Government	87,336	16,853	0	0	(70,483)	0	(70,483)
Public Safety	98,925	4,225	81,633	15,462	2,395	0	2,395
Public Works	93,342	0	102,848	0	9,506	0	9,506
Community and Economic Development	2,870	1,115	0	0	(1,755)	0	(1,755)
Recreation and Cultural	14,915	0	8,045	0	(6,870)	0	(6,870)
Other Functions	48,712	0	0	0	(48,712)	0	(48,712)
Debt Service	835	0	0	0	(835)	0	(835)
Total Governmental Activities	423,514	22,193	192,526	15,462	(193,333)	0	(193,333)
<u>BUSINESS TYPE ACTIVITIES</u>							
Sewer System	66,485	40,225	0	0	0	(26,260)	(26,260)
TOTAL	\$ 489,999	\$ 62,418	\$ 192,526	\$ 15,462	(193,333)	(26,260)	(219,593)
<u>GENERAL REVENUES</u>							
Taxes					205,487	0	205,487
State Grants					51,240	0	51,240
Investment Earnings					23,045	1,900	24,945
Other					36,586	0	36,586
Total General Revenues					316,358	1,900	318,258
Change in Net Assets					123,025	(24,360)	98,665
NET ASSETS - Beginning of Year					912,464	1,626,656	2,539,120
NET ASSETS - End of Year					\$ 1,035,489	\$ 1,602,296	\$ 2,637,785

The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2008

	GENERAL FUND	LAND TRUST FUND	FIRE HALL CONSTRUCTION FUND	TOTALS
<u>ASSETS</u>				
Cash	\$ 602,571	\$ 23,069	\$ 40,294	\$ 665,934
Accounts Receivable	4,280	0	0	4,280
Taxes and Special Assessments Receivable	132,430	0	0	132,430
Due from Other Funds	107,814	2,305	0	110,119
Due from Other Governments	11,721	0	0	11,721
Total Assets	<u>\$ 858,816</u>	<u>\$ 25,374</u>	<u>\$ 40,294</u>	<u>\$ 924,484</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 6,321	\$ 0	\$ 30,597	\$ 36,918
Due to Other Funds	2,305	0	1,835	4,140
Total Liabilities	<u>8,626</u>	<u>0</u>	<u>32,432</u>	<u>41,058</u>
<u>FUND BALANCE</u>				
Reserved for Fire Hall Construction	0	0	7,862	7,862
Unreserved				
Undesignated	850,190	25,374	0	875,564
Total Fund Balance	<u>850,190</u>	<u>25,374</u>	<u>7,862</u>	<u>883,426</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 858,816</u>	<u>\$ 25,374</u>	<u>\$ 40,294</u>	<u>\$ 924,484</u>

The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2008

Total Fund Balances for Governmental Funds	\$ 883,426
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Buildings	\$ 184,296	
Vehicles	232,500	
Equipment	164,040	
Accumulated Depreciation	<u>(184,095)</u>	396,741

Long-term liabilities are not due and payable in the current period
and therefore are not reported in the funds

Fire Hall Construction Bonds Payable	(123,000)	
Fire Truck Contract Payable	<u>(121,678)</u>	(244,678)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,035,489</u></u>
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The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2008

	GENERAL FUND	LAND TRUST FUND	FIRE HALL CONSTRUCTION FUND	TOTALS
<u>REVENUES</u>				
Taxes	\$ 205,487	\$ 0	\$ 0	\$ 205,487
Licenses and Permits	1,115	0	0	1,115
Federal Grants	0	0	15,462	15,462
State Grants	54,062	0	0	54,062
Charges for Services	17,118	0	0	17,118
Interest and Rents	24,945	799	1,260	27,004
Other Revenues	226,291	0	0	226,291
Total Revenues	529,018	799	16,722	546,539
<u>EXPENDITURES</u>				
Legislative	76,579	0	0	76,579
General Government	106,541	0	0	106,541
Public Safety	61,022	0	184,295	245,317
Public Works	93,342	0	0	93,342
Community and Economic Development	2,870	0	0	2,870
Recreation and Cultural	14,915	0	0	14,915
Other Functions	48,712	0	0	48,712
Debt Services	0	0	1,835	1,835
Total Expenditures	403,981	0	186,130	590,111
Excess (Deficiency) of Revenues Over Expenditures	125,037	799	(169,408)	(43,572)
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds from Bond Issuance	0	0	124,000	124,000
Net Change in Fund Balance	125,037	799	(45,408)	80,428
<u>FUND BALANCE</u> - Beginning of Year	725,153	24,575	53,270	802,998
<u>FUND BALANCE</u> - End of Year	\$ 850,190	\$ 25,374	\$ 7,862	\$ 883,426

The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2008

Net Change in Fund Balance - Total Governmental Funds	\$ 80,428
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(37,904)
Capital Outlay	184,296
The issuance of long-term debt provides current financial resources in governmental funds but has no effect on net assets bonds issued.	
	(124,000)
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	
Notes Payable	<u>20,205</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 123,025</u></u>

The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY

IDLEWILD, MICHIGAN

PROPRIETARY FUND

STATEMENT OF NET ASSETS

MARCH 31, 2008

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 38,905
Due from Other Funds	325
Accounts Receivable	9,978
Total Current Assets	49,208
<u>RESTRICTED ASSETS</u>	
Cash	
Bond Reserve Account	16,629
Bond and Interest Redemption Fund	178
Total Restricted Assets	16,807
<u>NON-CURRENT ASSETS</u>	
Prepaid Sewage Treatment	344,727
<u>CAPITAL ASSETS</u>	
Equipment	20,000
Easements	5,000
Sewer System	1,747,442
Less Accumulated Depreciation	(215,561)
Net Capital Assets	1,556,881
Total Non-Current Assets	1,901,608
TOTAL ASSETS	\$ 1,967,623

The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY

IDLEWILD, MICHIGAN

PROPRIETARY FUND

STATEMENT OF NET ASSETS

MARCH 31, 2008

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

SEWER FUND

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accrued Interest Payable	\$ 1,327
Revenue Bonds Payable - Current Portion	<u>6,000</u>
Total Current Liabilities	7,327

LONG TERM LIABILITIES

Revenue Bonds Payable - Net of Current Portion	<u>358,000</u>
Total Liabilities	<u>365,327</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	1,192,881
Restricted	16,807
Unrestricted	<u>392,608</u>

Total Net Assets	<u>1,602,296</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,967,623</u>
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The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY

IDLEWILD, MICHIGAN

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

MARCH 31, 2008

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>OPERATING REVENUES</u>	
Charges for Services	
Sewer Use Charges and Connection Fees	<u>\$ 40,225</u>
<u>OPERATING EXPENSES</u>	
Public Works	
Sewage Treatment	3,723
Utilities	5,449
Telephone	1,280
Repairs	1,747
Memberships and Dues	262
Miscellaneous	800
Depreciation	<u>37,098</u>
Total Operating Expenses	<u>50,359</u>
Operating Income (Loss)	<u>(10,134)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Income	1,900
Interest Expense	<u>(16,126)</u>
Total NonOperating Revenues (Expenses)	<u>(14,226)</u>
Change in Net Assets	(24,360)
<u>NET ASSETS - Beginning of Year</u>	<u>1,626,656</u>
<u>NET ASSETS - End of Year</u>	<u><u>\$ 1,602,296</u></u>

The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY

IDLEWILD, MICHIGAN

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

MARCH 31, 2008

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	
Cash Flows from Operating Activities	
Cash Received from Customers and Other Revenues	\$ 46,038
Cash Payments to Suppliers for Goods and Services	(9,538)
	<hr/>
Net Cash Provided (Used) by Operating Activities	36,500
	<hr/>
Cash Flows from Capital and Related Financing Activities	
Principal Paid on Bonds	(5,000)
Interest Paid	(16,144)
	<hr/>
Net Cash Provided (Used) by Capital and Related Financing Activities	(21,144)
	<hr/>
Cash Flows from Investing Activities	
Interest Received	1,900
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	17,256
	<hr/>
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	38,456
	<hr/>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	\$ 55,712
	<hr/> <hr/>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO</u>	
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	\$ (10,134)
	<hr/>
Adjustments to Reconcile Operating Income (Loss) to Net	
Cash Provided (Used) by Operating Activities	
Depreciation	37,098
(Increase) Decrease Prepaid Sewage Treatment	3,723
(Increase) Decrease in Current Assets	
Accounts Receivable	6,138
Due from Other Funds	(325)
	<hr/>
Total Adjustments	46,634
	<hr/>
Net Cash Provided (Used) by Operating Activities	\$ 36,500
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2008

	<u>AGENCY</u>
<u>ASSETS</u>	
Cash	\$ 106,304
	<hr/>
<u>LIABILITIES</u>	
Due to Other Funds	\$ 106,304
	<hr/>
<u>NET ASSETS</u>	0
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 106,304
	<hr/>

The accompanying notes are an integral part of the financial statements.

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Yates Township is a general law township located in Lake County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, interest, and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Yates Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Land Trust Fund* is used to purchase tax sale property and sell it to residents at a later date.

The *Fire Hall Construction Fund* is used to account for the building of the new fire department facilities.

Additionally Yates Township reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

The *proprietary funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of twelve months or less from date of acquisition.

The Investment Policy adopted by the Township allows the Treasurer to invest in certificates of deposit, savings deposit receipts and savings accounts.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and county taxes are levied and due July 1, and become delinquent after September 14. All other taxes are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2007 taxable valuation of Yates Township totaled \$28,076,819, on which ad valorem taxes levied consisted of 6.7055 mills for Yates Township operating purposes. The levy raised approximately \$188,317 for operating purposes.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Land Improvements	25
Equipment	10
System Infrastructure	50
Vehicles	10

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 30, 2007, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits are owned by several of the Township's funds. Bank deposits are in Lake Osceola State Bank, Baldwin, Michigan.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Village's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2008, \$467,332 of the government's bank balance of \$807,626, was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

B. Receivables

Receivables as of year end for the government's individual funds are as follows:

	<u>GENERAL</u>	<u>SEWER</u>	<u>TOTAL</u>
RECEIVABLES			
Accounts	\$ 4,280	\$ 9,978	\$ 14,258
Taxes and Special Assessments	132,430	0	132,430
Due from Other Governments	11,721	0	11,721
TOTAL	<u>\$ 148,431</u>	<u>\$ 9,978</u>	<u>\$ 158,409</u>

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the Township did not have any deferred revenue.

C. Capital Assets

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities</u>				
Capital assets, being depreciated				
Buildings	\$ 0	\$ 184,296	\$ 0	\$ 184,296
Vehicles	232,500	0	0	232,500
Equipment	164,040	0	0	164,040
Total capital assets, being depreciated	<u>396,540</u>	<u>184,296</u>	<u>0</u>	<u>580,836</u>
Less accumulated depreciation for:				
Buildings	0	0	0	0
Vehicles	112,750	22,300	0	135,050
Equipment	33,441	15,604	0	49,045
Total accumulated depreciation	<u>146,191</u>	<u>37,904</u>	<u>0</u>	<u>184,095</u>
Total capital assets, being depreciated net	<u>\$ 250,349</u>	<u>\$ 146,392</u>	<u>\$ 0</u>	<u>\$ 396,741</u>

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, not being depreciated				
Easements	\$ 5,000	\$ 0	\$ 0	\$ 5,000
Capital assets, being depreciated				
Equipment	20,000	0	0	20,000
System Infrastructure	1,747,442	0	0	1,747,442
Total capital assets, being depreciated	1,772,442	0	0	1,772,442
Less accumulated depreciation for:				
Equipment	10,833	2,000	0	12,833
System Infrastructure	167,630	35,098	0	202,728
Total accumulated depreciation	178,463	37,098	0	215,561
Business-type activities capital assets, net	\$ 1,593,979	\$ (37,098)	\$ 0	\$ 1,556,881

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
Public Safety	\$ 37,904
Business-Type Activities	
Sewer	\$ 37,098

Construction Commitments:

The government has an outstanding construction commitment as of March 31, 2008, for the completion of a new fire hall. The total amount completed as of March 31, 2008, was \$184,296 and the balance remaining on the project was approximately \$15,490.

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2008, were:

<u>Fund</u>	<u>DUE FROM</u>	<u>DUE TO</u>
General Fund		
Land Trust Fund	\$ 0	\$ 2,305
Fire Hall Construction Fund	1,835	0
Current Tax	105,979	0
Land Trust Fund		
General Fund	2,305	0
Fire Hall Construction Fund		
General Fund	0	1,835
Sewer Fund		
Current Tax	325	0
Current Tax		
General Fund	0	105,979
Sewer Fund	0	325
Total	<u>\$ 110,444</u>	<u>\$ 110,444</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The Township had no transfers as of March 31, 2008.

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

E. Long-Term Debt

The following is a summary of the long-term debt transactions of the Township for the year ended March 31, 2008:

	<u>BONDS</u>	<u>NOTES</u>	<u>TOTAL</u>
Long-Term Debt Payable at April 1, 2007	\$ 369,000	\$ 140,883	\$ 509,883
Long-Term Debt Incurred	124,000	0	124,000
Long-Term Debt Retired	(6,000)	(19,205)	(25,205)
LONG-TERM DEBT PAYABLE AT MARCH 31, 2008	<u>\$ 487,000</u>	<u>\$ 121,678</u>	<u>\$ 608,678</u>
DUE WITHIN ONE YEAR	<u>\$ 7,000</u>	<u>\$ 8,442</u>	<u>\$ 15,442</u>

Interest expense for the year totaled \$24,094.

Long-term debts at March 31, 2008, are comprised of the following individual amounts:

Bonds Payable

The long-term debt at March 31, 2008, consists of a bond payable for Yates Township Sanitary Sewage Disposal System Bonds - Series 1999 - due in annual installments of \$6,000 to \$21,000 through March 1, 2039, interest at 4.375%. \$ 364,000

The long-term debt at March 31, 2008, consists of a bond payable for Yates Township General Obligation Bonds - Series 2008 – for construction of a new township fire hall due in annual installments of \$1,000 to \$6,000 through March 1, 2037, interest at 4.125%. 123,000

Fire Truck Note

The long-term debt at March 31, 2008, consists of a note payable to Lake Osceola State Bank for the purchase of a fire truck. The note is being repaid in annual installments of \$14,808 through September 8, 2018 including interest at 5.25% 121,678

\$ 608,678

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

The annual requirements to amortize the long-term debt outstanding as of March 31, 2008, including interest payments of \$440,946 are as follows:

YEAR ENDING JUNE 30,	SEWER BONDS PAYABLE		FIRE HALL BONDS PAYABLE		FIRE TRUCK NOTE		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2009	\$ 6,000	\$ 15,926	\$ 1,000	\$ 5,037	\$ 8,442	\$ 6,366	\$ 42,771
2010	6,000	15,662	2,000	4,996	8,885	5,923	43,466
2011	6,000	15,400	2,000	4,914	9,351	5,457	43,122
2012	7,000	15,138	2,000	4,832	9,842	4,966	43,778
2013	7,000	14,832	2,000	4,750	10,359	4,449	43,390
2014-2018	38,000	69,430	15,000	22,113	60,546	13,494	218,583
2019-2023	48,000	60,244	19,000	18,796	13,841	727	160,608
2024-2028	59,000	48,870	24,000	14,496	0	0	146,366
2029-2033	74,000	34,644	29,000	9,172	0	0	146,816
2034-2038	92,000	16,978	27,000	2,826	0	0	138,804
2039	21,000	920	0	0	0	0	21,920
	<u>\$ 364,000</u>	<u>\$ 308,044</u>	<u>\$ 123,000</u>	<u>\$ 91,932</u>	<u>\$ 121,266</u>	<u>\$ 41,382</u>	<u>\$ 1,049,624</u>

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Property Taxes

The Township levied 6.7055 mills in tax on state taxable value of \$28,258,455 on the 2007 tax roll. In addition the Township levies a per parcel special assessment to supplement general fund operations, for Police, Fire, Street Lights, Garage and Fire Truck. This amounted to \$181,937 for the fiscal year.

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

C. Sale of Future Revenues

For several years, the Township has sold its rights to delinquent real property tax revenues and related late payment penalties to the Lake County treasurer. For the 2007 tax roll the Township received a lump sum payment of \$436,711 for delinquent tax revenues. This amount represents 100% of the present value of the delinquent real property tax revenues. In exchange for this payment, the county is allowed to keep the delinquent taxes collected plus the late payment penalties charged. If the county is ultimately unable to collect any of these delinquent taxes, the Township will have to repay the county.

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED MARCH 31, 2008

	<u>GENERAL FUND</u>		
	<u>ORIGINAL</u> <u>BUDGET</u>	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Taxes	\$ 188,541	\$ 188,541	\$ 205,487
Licenses and Permits	1,195	1,195	1,115
State Grants	51,632	51,632	54,062
Contributions from Local Units	4,450	4,450	0
Charges for Services	690	690	17,118
Interest and Rents	3,600	3,600	24,945
Other Revenues	188,937	188,937	226,291
Total Revenues	439,045	439,045	529,018
<u>EXPENDITURES</u>			
Legislative	67,838	76,820	76,579
General Government	111,485	112,526	106,541
Public Safety	87,986	79,679	61,022
Public Works	87,814	94,111	93,342
Community and Economic Development	5,200	2,407	2,870
Recreation and Cultural	15,520	15,351	14,915
Other Functions	57,273	48,583	48,712
Total Expenditures	433,116	429,477	403,981
Net Change in Fund Balance	5,929	9,568	125,037
<u>FUND BALANCE</u> - Beginning of Year	725,153	725,153	725,153
<u>FUND BALANCE</u> - End of Year	\$ 731,082	\$ 734,721	\$ 850,190

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MARCH 31, 2008

	BALANCE			BALANCE	
	4/1/2007	ADDITIONS	DEDUCTIONS	3/31/2008	
<u>ASSETS</u>					
Cash in Bank	\$ 39,682	\$ 1,003,887	\$ 937,265	\$ 106,304	
<u>LIABILITIES</u>					
Due to Other Funds	\$ 25,655	\$ 284,892	\$ 204,243	\$ 106,304	
Due to Other Governments	14,027	718,995	733,022	0	
TOTAL LIABILITIES	\$ 39,682	\$ 1,003,887	\$ 937,265	\$ 106,304	

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

SANITARY SEWAGE DISPOSAL SYSTEM REVENUE BONDS - SERIES 1999
YATES TOWNSHIP BONDS

STATEMENT OF BONDS PAYABLE
MARCH 31, 2008

TITLE OF ISSUE

United States of America, State of Michigan, County of Lake, Township of Yates, Sanitary Sewage Disposal System Revenue Bonds - Series 1999

PURPOSE

The proceeds of the series 1999 bonds were used in whole to accompany federal and local grant proceeds to finance the construction of a sanitary sewage disposal system in the Township of Yates.

DATE OF ISSUE

December 22, 1999

INTEREST RATE

4.375%

AMOUNT OF ISSUE

\$ 396,000

AMOUNT REDEEMED

Prior to Current Year	\$ 27,000	
During Current Year	5,000	32,000

BALANCE OUTSTANDING - March 31, 2008

\$ 364,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
September 1, 2008	4.375%		\$ 7,963	\$ 7,963
March 1, 2009	4.375%	\$ 6,000	7,963	13,963
September 1, 2009	4.375%		7,831	7,831
March 1, 2010	4.375%	6,000	7,831	13,831
September 1, 2010	4.375%		7,700	7,700
March 1, 2011	4.375%	6,000	7,700	13,700
September 1, 2011	4.375%		7,569	7,569

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

SANITARY SEWAGE DISPOSAL SYSTEM REVENUE BONDS - SERIES 1999
YATES TOWNSHIP BONDS

STATEMENT OF BONDS PAYABLE
MARCH 31, 2008

<u>DUE DATES</u>	<u>INTEREST</u>	<u>REQUIREMENTS</u>		
	<u>RATES</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
March 1, 2012	4.375%	7,000	7,569	14,569
September 1, 2012	4.375%		7,416	7,416
March 1, 2013	4.375%	7,000	7,416	14,416
September 1, 2013	4.375%		7,263	7,263
March 1, 2014	4.375%	7,000	7,263	14,263
September 1, 2014	4.375%		7,109	7,109
March 1, 2015	4.375%	7,000	7,109	14,109
September 1, 2015	4.375%		6,956	6,956
March 1, 2016	4.375%	8,000	6,956	14,956
September 1, 2016	4.375%		6,781	6,781
March 1, 2017	4.375%	8,000	6,781	14,781
September 1, 2017	4.375%		6,606	6,606
March 1, 2018	4.375%	8,000	6,606	14,606
September 1, 2018	4.375%		6,431	6,431
March 1, 2019	4.375%	9,000	6,431	15,431
September 1, 2019	4.375%		6,234	6,234
March 1, 2020	4.375%	9,000	6,234	15,234
September 1, 2020	4.375%		6,038	6,038
March 1, 2021	4.375%	10,000	6,038	16,038
September 1, 2021	4.375%		5,819	5,819
March 1, 2022	4.375%	10,000	5,819	15,819
September 1, 2022	4.375%		5,600	5,600
March 1, 2023	4.375%	10,000	5,600	15,600
September 1, 2023	4.375%		5,381	5,381
March 1, 2024	4.375%	11,000	5,381	16,381
September 1, 2024	4.375%		5,141	5,141
March 1, 2025	4.375%	11,000	5,141	16,141
September 1, 2025	4.375%		4,900	4,900
March 1, 2026	4.375%	12,000	4,900	16,900
September 1, 2026	4.375%		4,638	4,638

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

SANITARY SEWAGE DISPOSAL SYSTEM REVENUE BONDS - SERIES 1999
YATES TOWNSHIP BONDS

STATEMENT OF BONDS PAYABLE
MARCH 31, 2008

<u>DUE DATES</u>	INTEREST	REQUIREMENTS		
	<u>RATES</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
March 1, 2027	4.375%	12,000	4,638	16,638
September 1, 2027	4.375%		4,375	4,375
March 1, 2028	4.375%	13,000	4,375	17,375
September 1, 2028	4.375%		4,091	4,091
March 1, 2029	4.375%	14,000	4,091	18,091
September 1, 2029	4.375%		3,784	3,784
March 1, 2030	4.375%	14,000	3,784	17,784
September 1, 2030	4.375%		3,475	3,475
March 1, 2031	4.375%	15,000	3,475	18,475
September 1, 2031	4.375%		3,150	3,150
March 1, 2032	4.375%	15,000	3,150	18,150
September 1, 2032	4.375%		2,822	2,822
March 1, 2033	4.375%	16,000	2,822	18,822
September 1, 2033	4.375%		2,472	2,472
March 1, 2034	4.375%	17,000	2,472	19,472
September 1, 2034	4.375%		2,100	2,100
March 1, 2035	4.375%	18,000	2,100	20,100
September 1, 2035	4.375%		1,707	1,707
March 1, 2036	4.375%	18,000	1,707	19,707
September 1, 2036	4.375%		1,313	1,313
March 1, 2037	4.375%	19,000	1,313	20,313
September 1, 2037	4.375%		897	897
March 1, 2038	4.375%	20,000	897	20,897
September 1, 2038	4.375%		460	460
March 1, 2039	4.375%	21,000	460	21,460
		<u>\$ 364,000</u>	<u>\$ 308,044</u>	<u>\$ 672,044</u>

YATES TOWNSHIP, LAKE COUNTY
IDLEWILD, MICHIGAN

SANITARY SEWAGE DISPOSAL SYSTEM REVENUE BONDS - SERIES 1999
YATES TOWNSHIP BONDS

STATEMENT OF BONDS PAYABLE
MARCH 31, 2008

REDEMPTION PRIOR TO MATURITY

The bonds shall be subject to prepayment prior to maturity at the option of the Township, in any order, in whole or in part, in integral multiples of \$1,000, on any date, at par plus accrued interest to the date of such prepayment.

Notice of the redemption for any principal installment of this Bond for repayment at the option of the Township shall be given by first class mail, not less than 30 days prior to the date fixed for prepayment, to the registered owner of this Bond at the address shown on the bond register kept by the Registrar; provided, however, that failure to give such notice by mailing or any defect therein shall not effect the validity of any proceedings for the redemption of Bonds.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
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June 26, 2008

To the Township Board
Yates Township
Lake County
Idlewild, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Yates Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Yates Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiencies described above are material weaknesses.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
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June 26, 2008

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Township Board
Yates Township
Lake County
Idlewild, Michigan

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Yates Township, Lake County, Idlewild, Michigan for the year ended March 31, 2008, and have issued our report thereon dated June 26, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated June 9, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Yates Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Yates Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Yates Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We proposed several adjusting journal entries which were reviewed and accepted by management. No material misstatements were noted.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 26, 2008.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our audit of the basic financial statements of Yates Township for the year ended March 31, 2008, we noted the following list of items which we feel deserve comment:

Single Audit

The threshold for requiring a Single Audit of federal award programs is \$500,000. Therefore, it was not necessary to perform a Single Audit this year.

Bank Reconciliations

At year end we assisted your staff in reconciling the book balances to the bank for all accounts. This procedure should be completed by the Township on a monthly basis with copies of the reconciliations maintained with the bank statements. We caution the Board that without the reconciliation procedure, the results of operations and safe guarding of assets is impaired. We recommend the township treasurer initiate a timely bank reconciliation procedure to be completed no later than the 10th of each month.

Accounting Records

The trust and agency transactions for special assessments and other revenues were not posted to the Townships computerized general ledger. As a result, we had to make adjustments to include those transactions in the General Fund. In the future all transactions should be recorded in the computerized general ledger. We would recommend the Township in lieu of computerizing the trust and agency account, consider depositing general fund revenues directly to the General Fund, thus eliminating the trust and agency account. The only items traditionally deposited to the trust and agency are funds belonging to third parties. In our review of the trust and agency transactions, we found large transfers which were not posted to the accounts. This resulted in misleading balances in some of the accounts.

Sewer Fund – Restricted Assets

Restricted funds are required to be set aside to meet Sewer Fund bond ordinance requirements. At March 31, 2008, the Sewer Fund Bond Reserve and Bond and Interest Redemption Accounts did not meet the ordinance requirements. The Township should transfer excess funds from the Sewer Receiving Fund to meet the requirements of the bond ordinance.

Budgeting

The budget document should include all items required by PA 621, including estimated beginning and ending fund balances for each fund. The Township should also adopt budgets for the Land Trust Fund and the Fire Hall Construction Fund.

Property Tax Administration Fee

The Township has determined that authorized costs of collecting taxes will be repeatedly in excess of revenue generated by the administration fee, but has not formally taken action to write off this loss. We recommend that the Township maintain subsidiary records which reflect property tax administration fee collections and costs, and that the board pass a motion each year to write off the loss.

Balance in the Tax Collection Fund

A balance remained in the Tax Collection Fund at March 31, 2008. We recommend that the Township disburse each year all remaining funds in the Tax Collection Fund by March 31, except a small residual amount to maintain a minimum balance in order to keep the bank account open.

Prepaid Sewage Treatment

When the hook-up of township residents to the sewer system was complete, some of the grant money, approximately \$425,000, was paid to the Village of Baldwin to pay for treatment. This "pre-payment" means the Township residents are not paying for treatment on a yearly basis. The balance in this pre-payment account is \$344,727. The yearly cost of treatment is approximately \$16,000. This means the prepaid amount should last up to 30 years before residents would be charged for treatment expenses. This assumes there is no substantial increase in the treatment costs or volume.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.